

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 6429**

**BILL NUMBER:** SB 229

**NOTE PREPARED:** Dec 24, 2012

**BILL AMENDED:**

**SUBJECT:** Adjustment for Township Firefighting Fund Levy.

**FIRST AUTHOR:** Sen. Boots

**BILL STATUS:** As Introduced

**FIRST SPONSOR:**

**FUNDS AFFECTED:**     **GENERAL**  
                              **DEDICATED**  
                              **FEDERAL**

**IMPACT:** Local

**Summary of Legislation:** This bill provides that in the case of a township and a municipality in the township in which: (1) the township provides fire protection to the municipality; and (2) the municipality does not pay the township for any part of the township's cost in providing fire protection services; the Department of Local Government Finance (DLGF) shall make an adjustment to the maximum property tax levies of the township and municipality, if the adjustment is agreed to by the fiscal bodies of the township and municipality.

The bill provides that the municipality's maximum property tax levy shall be reduced by the average annual amount budgeted by the municipality for fire protection services during the preceding three years, and that the maximum property tax levy for the township's firefighting fund shall be increased by the product of: (1) the average annual amount budgeted by the municipality for fire protection services during the preceding three years; multiplied by (2) the assessed value growth quotient. It specifies that the tax rate for the township's firefighting fund shall also be imposed within the corporate boundaries of the municipality.

**Effective Date:** July 1, 2013.

**Explanation of State Expenditures:**

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** *Summary:* There would be no overall change to total property tax levies

under this bill. The resulting tax rate paid by the current township fire taxpayers and the taxpayers in the municipality could increase, decrease, or remain about the same. Any change in the tax rate would depend on how the tax rate currently needed to fund the transfer amount in the municipality compares with the current township fire protection tax rate.

Additionally, the transfer of levy authority would also have an effect on other revenues that are distributed to taxing units on the basis of tax levy, such as local option income taxes and motor vehicle excise taxes. Affected townships would receive increased distributions, while the municipality's share would be reduced.

**Background:** Currently, some townships provide fire protection services to municipalities within those townships, usually under a contract where the municipality makes a payment to the township. In those cases, the township imposes a fire protection tax rate only on properties located outside of the municipality.

This bill would allow the transfer of maximum levy authority from the municipality to the township if:

- (1) The township provides fire protection to the municipality;
- (2) The municipality does not pay the township for the cost of providing fire protection; and
- (3) The fiscal bodies of both taxing units are in agreement.

The amount of maximum levy authority transferred would equal the average amount budgeted for fire protection by the municipality in the three previous years. This amount would be multiplied by the assessed value growth quotient (AVGQ) when added to the township's maximum levy. The township would impose a fire protection tax rate throughout the township, including the area inside the municipality.

**State Agencies Affected:** Department of Local Government Finance.

**Local Agencies Affected:** Municipalities and townships.

**Information Sources:**

**Fiscal Analyst:** Bob Sigalow, 317-232-9859.